STATE OF MINNESOTA
DEPAARTMENT OF COMMERCE
BULLETIN 93-2

To All Medicare Supplement Insurers

Issued this 10th day of
March, 1993

IMPORTANT COMPLIANCE INFORMATION
PLEASE NOTE

There has been some confusion regarding rate filing requirements as well as community rate implementation in regard to Medicare supplement insurance products. The department is therefore supplying the following information that requires your response:

*   You should be aware that the following information is required in any Medicare supplement rate change:
    1. By year, for at least the last five years (1988-1992), each form's experience (earned premiums, incurred losses and loss ratios).
    2. Form's anticipated loss ratios.
    3. Percentage of rate change.
    4. History of all other previous rate changes (percentage and date of approval).
    5. Benefit changes (example: Medicare's deductibles and copayments change 3.7% in 1993).
    6. Calculation of how rate change was determined (loss ratios, trends, benefit changes, etc.).
    7. Description of how "community" rates were calculated.

*   By May 31 of each year (including 1993), every Medicare supplement insurer must file the data contained in the NAIC Medicare Supplement Refund Calculation Form (Appendix A-copy enclosed). This information must be filed with the Minnesota Department of Commerce, Attention: Policy Analysis, on each type of supplemental benefit plan your company has ever offered [M.S. 62A.36, Subdivsion 1,(b)].

(continued)

MEDICARE SUPPLEMENT REFUND CALCULATION FORM
FOR CALENDAR YEAR_____

TYPE_____ SMSBP[1] _____

For the State of_____ Company Name_____

NAIC Group Code_____ NAIC Company Code_____

Address_____ Person Completing Exhibit_____

Title_____ Telephone Number_____

	(a) Earned Premium[3]	(b) Incurred Claims[3]
line		
1. Current Year's Experience		
a Total (all policy years)		
b. Current year's issues[4]		
C. Net (for reporting purposes = 1a - 1b)	_____	_____
2. Past Years' Experience (All Policy Years)	_____	_____
3. Total Experience (Net Current Year + Past Year's (Experience)	_____	_____

4. Refunds Last Year (Excluding Interest) _____

5. Previous Since Inception (Excluding Interest) _____

6. Refunds Since Inception (Excluding Interest) _____

7. Benchmark Ratio Since Inception (SEE WORKSHEET FOR RATIO 1)_____

8. Experienced Ratio Since Inception _____

$$\frac{\text{Total Actual Incurred Claims (line 3, col. b)}}{\text{Total Earned Prem. (line 3, col. a) - Refunds Since Inception (line 6)}} = \text{Ratio 2}$$

9. Life Years Exposed Since Inception _____

If the Experienced Ratio is less than the Benchmark Ratio, and there are more than 500 life years exposure, then proceed to calculation of refund.

10. Tolerance Permitted (obtained from credibility table) _____

Medicare Supplement Credibility Table

Life Years Exposed Since Inception	Tolerance
10,000 +	0.0%
5,000 - 9,999	5.0%
2,500 - 4,999	7.5%
1,000 - 2,490	10.0%
500 - 099	15.0%

If less than 500, no credibility.

REPORTING FORM FOR THE CALCULATION OF BENCHMARK
RATIO SINCE INCEPTION FOR GROUP POLICIES
FOR CALENDAR YEAR_____

TYPE_____ SMSBP (p)_____

FOR THE STATE OF_____

Company Name_____

NAIC Group Code_____ NAIC Company Code_____

Address_____

Person Completing This Exhibit_____

Title_____ Telephone Number_____

(a)	(b)	(c)	(d)	(e)	(0	(g)	(h)	(i)	(j)	(o)
	Earned			Cumulative				Cumulative		Policy Year
Year	Premium	Factor	(b)x(c)	Loss Ratio	(d)x(e)	Factor	(b)x(g)	Loss Ratio	(h)x(i)	Loss Ratio
1		2.770		0.507		0.000		0.000		0.46
2		4.175		0.567		0.000		0.000		0.63
3		4.175		0.567		1.194		0.759		0.75
4		4.175		0.567		2.245		0.771		0.77
5		4.175		0.567		3.170		0.782		0.80
6		4.175		0.567		3.998		0.792		0.82
7		4.175		0.567		4.754		0.802		0.84
8		4.175		0.567		5.445		0.811		0.87
9		4.175		0.567		6.075		0.818		0.68
10		4.175		0.567		6.650		0.824		0.88
11		4.175		0.567		7.176		0.828		0.88
12		4.175		0.567		7.655		0.831		0.88
13		4.175		0.567		8.093		0.834		0.89
14		4.175		0.567		8.493		0.837		0.69
15		4.175		0.567		8.684		0.838		0.89
Total:			(k):		(l):		(m):		(n):	

Benchmark Ratio Since Inception: $(l + n)/(k + m)$:

(a): Year 1 is the current calendar year - 1
Year 2 is the current calendar year - 2 (etc.)
(Example: If the current year is 1991, then:
Year 1 is 1990; Year 2 is 1989, etc.)

(o): These loss ratios are not explicitly used in
computing the benchmark loss ratios. They are the
loss ratios, on a policy year basis, which result
in the cumulative loss ratios displayed on this
worksheet. They are shown here for informational
purposes only.

(b): For the calendar year on the appropriate line in
column (a), the premium earned during that year for
policies issued in that year.

(p): "SMSBP" = Standardized Medicare Supplement Benefit
Plan

APPENDIX B

FORM FOR REPORTING
MEDICARE SUPPLEMENT POLICIES

Company Name: _____

Address: _____

_____

Phone Number: _____

Due March 1, annually

The purpose of this form is to report the following information on each resident of this state who has in force more than one Medicare supplement policy or certificate. The information is to be grouped by individual policyholder.

Policy and Certificate #	Date of Issuance

_____
Signature

_____
Name and Title (please type)

_____
Date